



Public Hearing

Draft Development Fee Report

City of Flagstaff, Arizona

April 1, 2014

TischlerBise
Fiscal, Economic & Planning Consultants

Development Impact Fees

- An **impact fee** is a fee that is imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development.

Why Consider Impact Fees?

1. Supports policy that growth pays a share of costs for increased demand for services.
2. Provides predictable costs to the developer.
3. Does not require negotiation – all projects are responsible for the same fees.

Affordable Housing Incentive

- Policy adopted in 2009
- Impact fees are reimbursed from the Housing Incentive fund
- Amount of reimbursement depends on % of affordable units & % of Area Median Income served

Consensus Building – Inform & Consult

1. Updated information piece to neighborhood associations and industry organizations
2. Presentations to NABA, Chamber of Commerce & NA Assoc. of Realtors

Overview of Adoption Process

Round 1 – APPROVED Feb 18, 2014

- Land Use Assumptions
- Infrastructure Improvements Plans

- Land Use Assumptions
 - Updated base year demographics reflect period of slow growth
 - High population growth scenario used for projections
- Infrastructure Improvements Plan
 - Establishes Proportionate Share of demand by land use type
 - Establishes Levels of Service
 - Identifies necessary infrastructure to maintain levels of service

Approved 10-Year Investment Plan to Maintain Levels of Service

| | | |
|--------------|--|---------------------|
| Fire | Fire Facilities - Debt Service* | \$ 1,187,929 |
| | Fire Vehicles | \$ 803,968 |
| | Fire Apparatus - Debt Service* | \$ 17,347 |
| | Fire Equipment - Debt Service* | \$ 15,247 |
| | Fire Communications Equipment | \$ 5,547 |
| | Fire Communications Infrastructure - Debt Service* | \$ 53,881 |
| | IIP and Development Fee Study | \$ 12,729 |
| TOTAL | | \$ 2,096,648 |

| | | |
|---------------|--|--------------------|
| Police | Police Facilities | \$1,163,213 |
| | Police Vehicles | \$274,400 |
| | Police Communications Equipment | \$23,155 |
| | Police Communications Infrastructure - Debt Service* | \$77,646 |
| | IIP and Development Fee Study | \$11,981 |
| TOTAL | | \$1,550,395 |

* Debt Service costs shown above represent only the growth share of the debt obligation for a 10-year period

Overview of Adoption Process

Round 1 – APPROVED Feb 18, 2014

- Land Use Assumptions
- Infrastructure Improvement Plans

Round 2

- Development Fees

Effective on August 1, 2014

10-Year Projected Revenue

| | | per Housing Unit | | Per Square Foot of Floor Area | | |
|----------------------------------|-----------|---------------------|-----------|-------------------------------|-----------|------------|
| | | Single Unit | 2+ Units | Commercial | Office | Industrial |
| Fire | | \$508 | \$474 | \$0.89 | \$0.34 | \$0.12 |
| | | Housing Units Added | | Square Feet Added (1,000) | | |
| Base | Year 2013 | 16,833 | 10,324 | 4,195 | 6,084 | 5,316 |
| Year 10 | 2023 | 17,954 | 11,011 | 4,599 | 6,648 | 5,873 |
| Ten-Yr Increase | | 1,121 | 687 | 404 | 564 | 557 |
| Projected Fees => | | \$569,468 | \$325,638 | \$359,560 | \$191,598 | \$66,787 |
| Total Projected Revenues | | \$1,513,051 | | Costs - \$2,096,648 | | |
| Cumulative Net Surplus/(Deficit) | | (\$583,597) | | | | |

| | | per Housing Unit | | Per Square Foot of Floor Area | | |
|----------------------------------|-----------|---------------------|-----------|-------------------------------|-----------|------------|
| | | Single Unit | 2+ Units | Commercial | Office | Industrial |
| Police | | \$388 | \$362 | \$0.63 | \$0.25 | \$0.09 |
| | | Housing Units Added | | Square Feet Added (1,000) | | |
| Base | Year 2013 | 16,833 | 10,324 | 4,195 | 6,084 | 5,316 |
| Year 10 | 2023 | 17,954 | 11,011 | 4,599 | 6,648 | 5,873 |
| Ten-Yr Increase | | 1,121 | 687 | 404 | 564 | 557 |
| Projected Fees => | | \$434,948 | \$248,694 | \$255,127 | \$139,281 | \$47,640 |
| Total Projected Revenues | | \$1,125,690 | | Costs - \$1,550,395 | | |
| Cumulative Net Surplus/(Deficit) | | (\$424,705) | | | | |

* Deficit reflects portion of existing debt obligation not recouped by projected development fee revenue.

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9

Maximum Supportable Fees and Comparison

- Careful consideration to necessary public services
 - New Growth's proportionate share of capacity improvements
 - Predictable revenue for public safety capital budget
 - No other dedicated revenue for public safety capacity improvements

| Development Fees by Land Use | | Proposed | Existing | Net Change |
|------------------------------|-----------|-----------------------------------|----------|------------|
| Number of Bedrooms | | ~ Per Housing Unit ~ | | |
| 2+ Units | All Sizes | \$836 | \$536 | \$300 |
| Single Unit | 0-3 | \$854 | \$675 | \$179 |
| Single Unit | 4+ | \$1,071 | \$675 | \$396 |
| Single Unit | Avg | \$896 | \$675 | \$221 |
| | | ~ Per Square Foot of Floor Area ~ | | |
| Commercial | | \$1.52 | \$1.49 | \$0.03 |
| Office | | \$0.59 | \$0.52 | \$0.07 |
| Industrial | | \$0.21 | \$0.13 | \$0.08 |

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10

Current and Maximum Supportable Fees Fire Facilities - Residential

| Fire Level Of Service and Capital Costs | | Per Person | |
|---|----|-----------------|--|
| Fire Facilities - Debt Service | | \$109.18 | Buying into previously made improvements |
| Fire Vehicles | | \$63.83 | |
| Fire Apparatus - Debt Service | | \$2.29 | |
| Fire Equipment - Debt Service | | \$1.32 | |
| Fire Communications Equipment | | \$0.63 | |
| Fire Communications Infrastructure - Debt Service | | \$5.65 | |
| IIP and Development Fee Study | | \$1.93 | |
| GROSS CAPITAL COST | | \$184.83 | |
| Revenue Credit | 0% | (\$0.00) | |
| NET CAPITAL COST | | \$184.83 | |

| Fire Residential Development Fee Schedule | | | Development Fee per Housing Unit | | |
|---|--------------------|---------------------------|----------------------------------|-----------------|---------------------|
| Unit Type | Number of Bedrooms | Persons per Household [1] | Proposed Fee | Current Fee [2] | Increase (Decrease) |
| 2+ Units | All Sizes | 2.57 | \$474 | \$352 | \$122 |
| Single Unit | 0-3 | 2.62 | \$484 | \$444 | \$40 |
| Single Unit | 4+ | 3.29 | \$607 | \$444 | \$163 |
| Single Unit | Avg | 2.75 | \$508 | \$444 | \$64 |

[1] TischlerBise. (2013). Development Fee Land Use Assumptions
[2] TischlerBise. (28Nov11). January 1, 2012 Interim Development Fees

Current and Maximum Supportable Fees Fire Facilities - Nonresidential

| Fire Level Of Service and Capital Costs | | Per Trip | |
|---|----|-----------------|--|
| Fire Facilities - Debt Service | | \$38.95 | Buying into previously made improvements |
| Fire Vehicles | | \$19.94 | |
| Fire Apparatus - Debt Service | | \$0.89 | |
| Fire Equipment - Debt Service | | \$0.46 | |
| Fire Communications Equipment | | \$0.20 | |
| Fire Communications Infrastructure - Debt Service | | \$2.07 | |
| IIP and Development Fee Study | | \$0.79 | |
| GROSS CAPITAL COST | | \$63.30 | |
| Revenue Credit | 0% | (\$0.00) | |
| NET CAPITAL COST | | \$63.30 | |

| Fire Nonresidential Development Fee Schedule | | | Development Fee per Square Foot of Floor Area | | |
|--|---------------------------|------------------------|---|-----------------|---------------------|
| Nonresidential Land Use | Weekday Vehicle Trip Ends | Trip Rate Adj. Factors | Proposed Fee | Current Fee [3] | Increase (Decrease) |
| | (Per 1,000 sq. ft.) | | (Per Square Foot of Floor Area) | | |
| Commercial | 42.70 | 33% | \$0.09 | \$0.81 | \$0.08 |
| Office/Institutional | 11.03 | 50% | \$0.34 | \$0.28 | \$0.06 |
| Industrial/Flex | 3.82 | 50% | \$0.12 | \$0.07 | \$0.05 |

[3] TischlerBise. (28Nov11). January 1, 2012 Interim Development Fees
The 2012 nonresidential fees were by size thresholds, averages are shown here.

Current and Maximum Supportable Fees Police Facilities - Residential

| Police Level Of Service and Capital Costs | | Per Person |
|---|----|-----------------|
| Police Facilities | | \$104.19 |
| Police Vehicles | | \$24.99 |
| Police Communications Equipment | | \$2.33 |
| Police Communications Infrastructure - Debt Service | | \$8.15 |
| IIP and Development Fee Study | | \$1.82 |
| GROSS CAPITAL COST | | \$141.48 |
| Revenue Credit | 0% | (\$0.00) |
| NET CAPITAL COST | | \$141.48 |

Buying into previously made improvements

| Police Residential Development Fee Schedule | | | Development Fee per Housing Unit | | |
|---|--------------------|---------------------------|----------------------------------|-----------------|---------------------|
| Unit Type | Number of Bedrooms | Persons per Household [1] | Proposed Fee | Current Fee [2] | Increase (Decrease) |
| 2+ Units | All Sizes | 2.57 | \$362 | \$184 | \$178 |
| Single Unit | 0-3 | 2.62 | \$370 | \$231 | \$139 |
| Single Unit | 4+ | 3.29 | \$464 | \$231 | \$233 |
| Single Unit | Avg | 2.75 | \$388 | \$231 | \$157 |

[1] TischlerBise. (2013). Development Fee Land Use Assumptions
[2] TischlerBise. (28Nov11). January 1, 2012 Interim Development Fees

Current and Maximum Supportable Fees Police Facilities - Nonresidential

| Police Level Of Service and Capital Costs | | Per Trip |
|---|----|-----------------|
| Police Facilities | | \$32.55 |
| Police Vehicles | | \$7.81 |
| Police Communications Equipment | | \$0.73 |
| Police Communications Infrastructure - Debt Service | | \$2.98 |
| IIP and Development Fee Study | | \$0.75 |
| GROSS CAPITAL COST | | \$44.82 |
| Revenue Credit | 0% | (\$0.00) |
| NET CAPITAL COST | | \$44.82 |

Buying into previously made improvements

| Police Nonresidential Development Fee Schedule | | | Development Fee per Square Foot of Floor Area | | |
|--|---------------------------|------------------------|---|-----------------|---------------------|
| Nonresidential Land Use | Weekday Vehicle Trip Ends | Trip Rate Adj. Factors | Proposed Fee | Current Fee [3] | Increase (Decrease) |
| | (Per 1,000 sq. ft.) | | (Per Square Foot of Floor Area) | | |
| Commercial | 42.70 | 33% | \$0.63 | \$0.68 | (\$0.05) |
| Office/Institutional | 11.03 | 50% | \$0.25 | \$0.24 | \$0.01 |
| Industrial/Flex | 3.82 | 50% | \$0.09 | \$0.06 | \$0.03 |

[3] TischlerBise. (28Nov11). January 1, 2012 Interim Development Fees
The 2012 nonresidential fees were by size thresholds, averages are shown here.

Arizona Comparison of Proposed Fees

| Proposed Development Fee for Average Single Residential Unit | | | |
|--|--------------|--------------|---------------------|
| Jurisdiction | Fire | Police | Public Safety Total |
| Coolidge | \$938 | \$918 | \$1,856 |
| Glendale | \$1,146 | \$339 | \$1,485 |
| Avondale | \$607 | \$499 | \$1,106 |
| Peoria | \$417 | \$503 | \$920 |
| Flagstaff | \$508 | \$388 | \$896 |
| Payson | \$406 | \$407 | \$813 |
| Chandler | \$412 | \$277 | \$689 |
| Mesa | \$272 | \$402 | \$674 |
| Queen Creek | \$490 | \$167 | \$657 |
| Sedona | na | \$511 | \$511 |
| Prescott | \$319 | \$114 | \$433 |
| Apache Junction | na | \$161 | \$161 |

Next Steps

- Finalize Development Fee Components
 - Confirm Components for inclusion in each Necessary Public Service IIP
- Submit Final Development Fee Study

Flagstaff Adoption Process Schedule

- ✓ November 7, 2013 provide notice of public hearing on LU and IIP and publish draft on municipal website
 - ✓ December 10, 2013 Elected Officials Work Session on Land Use Assumptions (LU) Infrastructure Improvements Plan (IIP)
 - ✓ January 7, 2014 public hearing on LU & IIP
 - ✓ February 18, 2014 City Council adopts LU & IIP, provide notice of public hearing on development fees and publish materials on website
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- April 1, 2014 **public hearing** on development fees
30 days for consensus building and changes to development fees
 - May 6, 2014 **City Council** adopts development fees
75 day mandatory wait period
 - July 31, 2014 fees become effective